



**MEETING AGENDA**

**AMC Advisory Committee**

TALCB Headquarters Office

4th Floor, Stephen F. Austin State Office Building

1700 North Congress, Austin, Texas 78701

Friday, December 12, 2014, 10:00 a.m.

1. Call to order
2. SES report on AMC complaint cases
3. ELS report on AMC registrations
4. Discussion and possible action regarding audits of AMCs regarding compliance with certain statutory and rule requirements
5. Review of AMC Committee action items
6. Discussion and possible action regarding agenda items for future meetings
7. Discussion regarding future meetings dates
8. Adjourn



TEXAS APPRAISER LICENSING & CERTIFICATION BOARD

DOUGLAS E. OLDMIXON, COMMISSIONER

December 10, 2014

**AMC COMPLAINTS**

Respondent (AMC)	Date Received	Disposition	Disposition Date	Complainant	Complaint Source	Complaint No.
2014						
RESIDENTIAL REALESTATE REVIEW, INC.	10/27/2014	Pending	Pending	TALCB	Staff Initiated	2015-058
TITLE SOURCE LLC	8/19/2014	Pending	Pending	BOYTER STUART LEE	Consumer	2015-024
NOVO APPRAISAL MANAGEMENT CORPO	8/18/2014	Pending	Pending	TALCB	Staff Initiated	2014-296
LENDERVEND, LLC	4/21/2014	Pending	Pending	TALCB	Staff Initiated	2014-191
RELS LLC	7/21/2014	Pending Dismissal	Pending	OSTROWICKI NICHOLAS	Consumer	2014-264
STREETLINKS, LLC	3/28/2014	Dismissed by Commissioner	6/5/2014	TALCB	Staff Initiated	2014-169
MURCOR, INC.	2/19/2014	Contingent Dismissal	9/2/2014	TALCB	Staff Initiated	2014-132
LANDAVALUE, LLC	2/3/2014	Dismissed by Commissioner w/warning	7/7/2014	WALLACE RUSSELL RAY	Appraiser	2014-119
2013						
LANDAVALUE LLC	11/8/2013	Disciplinary Action (Revocation)	5/21/2014	TALCB	Staff Initiated	2014-064
LANDAVALUE LLC	10/9/2013	Disciplinary Action (Revocation)	5/21/2014	TALCB	Staff Initiated	2014-039
FIRST VALUATION SERVICES LLC	11/8/2013	Dismissed by Commissioner	2/21/2014	ALDRIDGE DAVID EDWARD	Appraiser	2014-067
STREETLINKS LLC	7/3/2013	Dismissed by Commissioner	12/16/2013	LYSSY MATT	Consumer	2013-266
STREETLINKS LLC	6/18/2013	Dismissed by Commissioner	8/15/2013	AVILES ANDREW	Consumer	2013-248
2012						
ES APPRAISAL SERVICES LLC	12/27/2012	Disciplinary Action (Revocation)	7/10/2013	JONES ROBERT RANDELL	Appraiser	2013-114
VALUATION PARTNERS	11/29/2012	Dismissed by Commissioner w/warning	1/22/2013	DURHAM RONALD DWAYNE	Appraiser	2013-096
JVI APPRAISAL DIVISION LLC	11/14/2012	Dismissed by Commissioner	4/29/2013	ALDRIDGE DAVID EDWARD	Appraiser	2013-086
JVI APPRAISAL DIVISION LLC	11/9/2012	Dismissed by Commissioner	4/29/2013	BORING JOHN MATTHEW	Appraiser	2013-084
JVI APPRAISAL DIVISION LLC	11/7/2012	Dismissed by Commissioner	4/29/2013	LEAL LAURO	Appraiser	2013-083
JVI APPRAISAL DIVISION LLC	10/23/2012	Dismissed by Commissioner	4/29/2013	TOLOPKA MICHAEL ANTHONY	Appraiser	2013-072
JVI APPRAISAL DIVISION LLC	10/22/2012	Dismissed by Commissioner	4/29/2013	MCINTURFF DAVID CHARLES	Appraiser	2013-067
JVI APPRAISAL DIVISION LLC	10/22/2012	Dismissed by Commissioner	4/29/2013	MARLOW BRIAN JAMES	Appraiser	2013-061
JVI APPRAISAL DIVISION LLC	10/22/2012	Dismissed by Commissioner	4/29/2013	SORGE GREGORY KENT	Appraiser	2013-070
JVI APPRAISAL DIVISION LLC	10/22/2012	Dismissed by Commissioner	4/29/2013	FREESE KEN MITCHEL	Appraiser	2013-071
LESTER MICHAEL LANCE	10/19/2012	Dismissed by Commissioner	1/22/2013	MCCOY KLINT	Consumer	2013-056
JORDAN REAL ESTATE GROUP INC	10/1/2012	Dismissed by Commissioner w/warning	8/1/2013	KREAMER MARK	Consumer	2013-044
JVI APPRAISAL DIVISION LLC	9/27/2012	Dismissed by Commissioner	4/18/2013	WATSON DEBORAH LOYCE	Appraiser	2013-028
RELS	9/27/2012	Dismissed by Commissioner	11/29/2012	GARZA ROBERT LEE	Other	2013-032
JVI APPRAISAL DIVISION LLC	9/18/2012	Dismissed by Commissioner	4/29/2013	MOFFITT MICHAEL LOUIS	Appraiser	2013-026
JVI APPRAISAL DIVISION LLC	8/2/2012	Disciplinary Action (Revocation)	4/8/2013	STREEP WILLIAM CLOKE	Appraiser	2012-302

**APPRAISAL MANAGEMENT COMPANY REGISTRATIONS  
NOVEMBER 2014**

**AGENDA ITEM 3**

	<b>Month</b>	<b>Paper Apps. Received</b>	<b>Online Apps. Received</b>	<b>Total Apps. Received</b>	<b>Total AMC Registrations Issued</b>	<b>Total AMC Renewals Issued</b>	
<b>FY-2012</b>	Mar-12	18	4	22	0		
	Apr-12	16	5	21	0		
	May-12	25	16	41	44		
	Jun-12	53	14	67	65		
	Jul-12	13	6	19	53		
	Aug. 12	5	1	6	7		
	<b>FY- 2013</b>	Sep-12	0	1	1	3	
Oct-12		0	3	3	5		
Nov-12		2	1	3	2		
Dec-12		1	2	3	4		
Jan-13		0	0	0	2		
Feb-13		1	0	1	0		
Mar-13		0	0	0	0		
Apr-13		1	1	2	0		
May-13		0	0	0	1		
Jun-13		0	1	1	4		
Jul-13		0	1	1	1		
Aug-13		1	1	2	1		
<b>FY- 2014</b>	Sep-13	0	3	3	2		
	Oct-13	0	1	1	2		
	Nov-13	0	0	0	0		
	Dec-13	0	1	1	0	0	
	Jan-14	0	0	0	1	1	
	Feb-14	0	0	0	0	5	
	Mar-14	0	2	2	2	9	
	Apr-14	1	0	1	2	18	
	May-14	1	1	2	0	28	
	Jun-14	1	1	2	4	38	*
	Jul-14	0	0	0	0	24	
	Aug-14	0	0	0	0	15	
<b>FY- 2015</b>	Sep-14	1	1	2	1	4	
	Oct-14	0	0	0	1	2	
	Nov-14	1	1	2	2	2	
<b>TOTALS</b>		<b>141</b>	<b>68</b>	<b>209</b>	<b>209</b>	<b>146</b>	

Registrations Surrendered in February '13	-3
Registrations Revoked in March '13	-1
Registrations Surrendered in July '13	-1
Registrations Revoked in July '13	-1
Registrations Surrendered in September '13	-1
Registrations Surrendered in February '14	-1
Registrations Surrendered in March '14	-1
Registrations Revoked in May '14	-1
Registrations Surrendered in June '14	-1

**TOTAL AMC REGISTRATIONS** **198**

\* Revised total

**TEXAS APPRAISER LICENSING & CERTIFICATION BOARD**  
**APPRAISAL MANAGEMENT COMPANY (AMC) FIRST TIER AUDIT CHECKLIST**

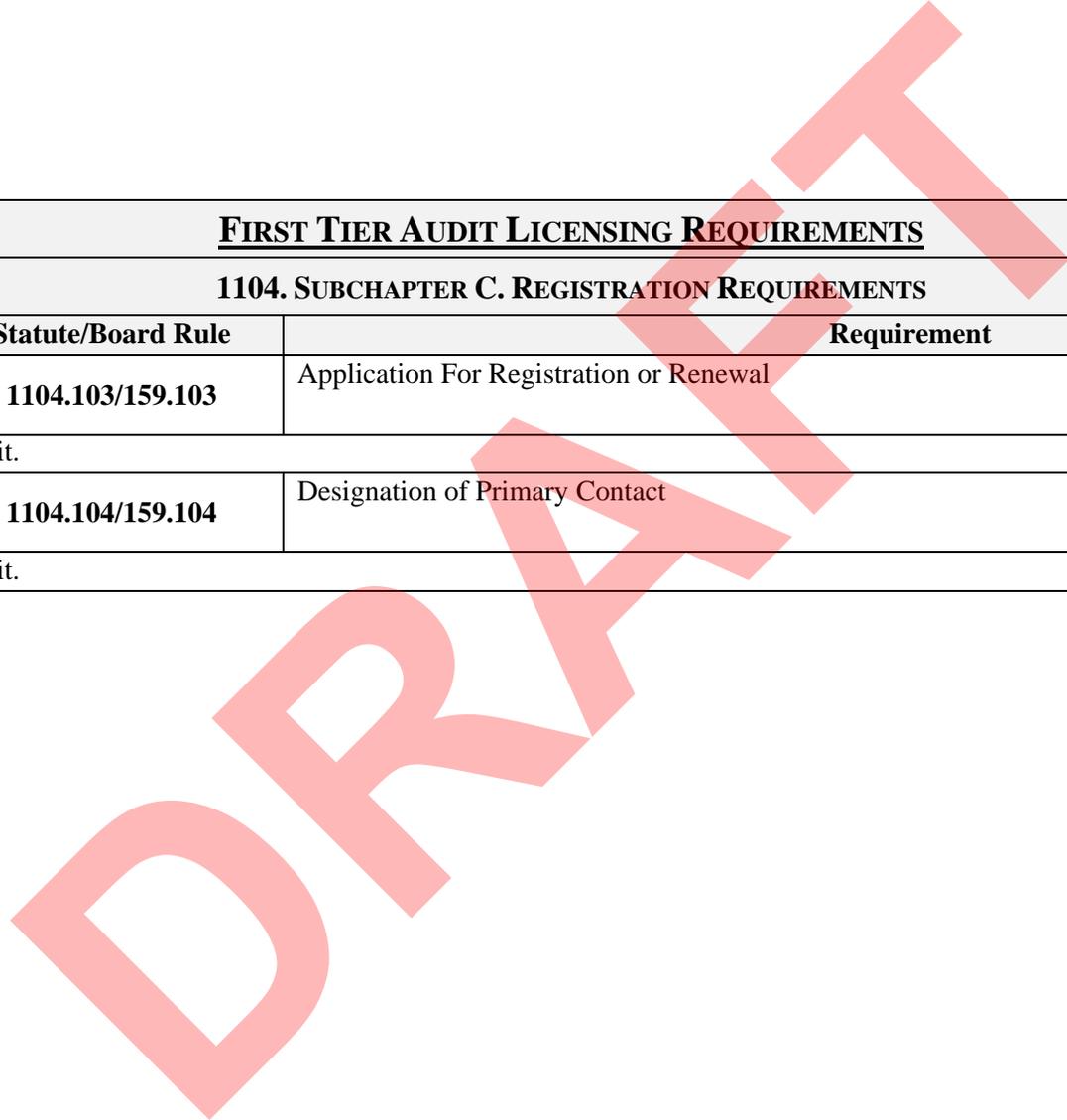
**AMC NAME:**

**AMC REGISTRATION NO.:**

**FIRST TIER AUDIT LICENSING REQUIREMENTS**

**1104. SUBCHAPTER C. REGISTRATION REQUIREMENTS**

No.	Compliance			Statute/Board Rule	Requirement
1	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>	1104.103/159.103	Application For Registration or Renewal
<b>Comment:</b>		Statement of audit.			
2	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>	1104.104/159.104	Designation of Primary Contact
<b>Comment:</b>		Statement of audit.			



1104. SUBCHAPTER D. PRACTICE BY APPRAISAL MANAGEMENT COMPANY					
No.	Compliance			Statute/Board Rule	Requirement
3	Yes	No	N/A	104.151	Employment of Certain Persons Prohibited
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
<b>Comment:</b>	Statement of audit.				
4	Yes	No	N/A	1104.155/159.155	Professional Standards; Periodic Review of Appraisers
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
<b>Comment:</b>	Statement of audit.				
5	Yes	No	N/A	1104.159/159.159	Disclosure of Registration Number
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
<b>Comment:</b>	Statement of audit.				
6	Yes	No	N/A	1104.161/159.161	Appraiser Panel
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
<b>Comment:</b>	Statement of audit.				

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**1104.203. PROHIBITED PRACTICES**

No.	Compliance			Statute/Board Rule	Requirement
	Yes	No	N/A		
7	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1104.203	Appraiser Independence
<b>Comment:</b>		Statement of audit.			

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ADDENDUM

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**Texas Appraiser Licensing & Certification Board**  
**Appraisal Management Company (AMC) Audit Standard Operating Procedure**

- I. **Purpose:** The reason for conducting audits of AMCs in Texas is to protect consumers of real estate services by ensuring AMCs registered in Texas are complying with their licensing requirements, as promulgated in Texas Occupations Code Chapter 1104, 22 Texas Administrative Code Chapter 159, and related law.
  - a. The Texas Appraiser Licensing and Certification Board (TALCB or the “Board”) is required under Texas Occupations Code Chapter 1104, Appraisal Management Company Registration and Regulation Act (the “Act”), Subchapter E. Disciplinary Actions and Procedures and Administrative Penalties, §§ 1104.201-217, to ensure AMCs comply with the ACT and applicable law.
  - b. Additionally, the Appraisal Subcommittee (ASC) has mandatory reporting requirements placed upon AMCs, at Tex. Occ. Code § 1104.160, and appraiser independence standards at § 1104.203, which the Board is required to ensure are adhered to. Furthermore, the ASC is proposing the implementation of minimum AMC regulation requirements for covered states.
  - c. AMC compliance with licensing requirements is not complaint driven like appraiser regulation, thus an audit process is required to ensure AMC’s are complying with their licensing requirements.
- II. **Scope:** There will be two types of audits of AMCs in Texas.
  - a. The first audit will be titled a First Tier Audit. The First Tier Audit will be a random audit of all AMCs registered in Texas on a periodic basis, to ensure compliance with selected statutory and regulatory licensing requirements. First Tier audits will be done remotely as a desktop audit.
  - b. The second audit will be titled the Second Tier Audit. The Second Tier Audit will be for those AMCs who fail the First Tier Audit and for those AMCs selected for audit as a result of disciplinary history. Second tier audits will be done remotely, as a desktop audit, and possibly, in person, as an onsite inspection audit.
    - i. **DISCUSSION – Are there other reasons to initiate a second tier audit?**
- III. **Legal Authority:** Pursuant to Tex. Occ. Code § 1104.156 and 22 Tex. Admin. Code Rule 156, AMCs are required to keep records of their compliance with the Act and the board is authorized to audit the records of an AMC registered under the Act to ensure compliance with the Act, Board Rules, and the Uniform Standards of Professional Appraisal Practice.
- IV. **Audit Standards:**
  - a. The standards for both the First Tier and Second Tier Audits can be found in Occ. Code Sec. 1104.209 and 22 Tex. Admin. Code Rule 159.201.
    - i. **DISCUSSION - We still need to codify a complaint processing rule like 153.24. We may want to include audits into that or develop a separate rule for auditing and audit standards.**
  - b. Standards of Performance: The standards for an AMCs performance resulting from an Audit will be:
    - i. In Compliance – An AMC is in compliance with the Act, Board Rules and USPAP and no violations or concerns exist;

- ii. In General Compliance, Not Subject to Re-Audit – An AMC is generally in compliance with the Act, Board Rules and USPAP and only minor deficiencies exist; therefore, the AMC is not subject to a Second Tier Audit or Re-Audit but may receive a warning or have to adopt mandatory compliance changes;
  - iii. Not in General Compliance, Subject to Re-Audit – An AMC is generally not in compliance with the Act, Board Rules and USPAP and serious deficiencies exist along with mitigating circumstances; therefore, the AMC is subject to a warning, mandatory compliance changes, re-audit, staff-initiated complaint, or any combination thereof; and
  - iv. Not in Compliance – An AMC is not in compliance with the Act, Board Rules and USPAP and serious deficiencies exist; therefore, the AMC is subject to a warning, mandatory compliance changes, re-audit, staff-initiated complaint, or any combination thereof.
  - v. **DISCUSSION – Any desired changes to the Standards of Performance and consequences?**
- V. **Audit Resolution:** Upon the completion of an audit, the AMC will receive a scoring of one of the designated Standards of Performance. The audit Standards of Performance will be a totality of the circumstances determination based on how the AMC complied with the audited licensing requirements, cooperated with the audit, and other considered circumstances.
- a. In Compliance: An AMC that is found to be in compliance will have no further audit requirements.
  - b. In General Compliance, Not Subject to Re-Audit: An AMC that is found to be in general compliance, not subject to re-audit, will be subject to:
    - i. Warning letter;
    - ii. Adopt Change in Written Policies and Procedures; and/or
    - iii. Highlight deficient areas of prior audit on subsequent audits;
  - c. Not in General Compliance, Subject to Re-Audit: An AMC that is found to be not in general compliance and subject to re-audit, will be subject to:
    - i. Warning letter;
    - ii. Adopt Change in Written Policies and Procedures;
    - iii. Highlight deficient areas of prior audit on subsequent audits;
    - iv. Cease and Desist Letter;
    - v. A subsequent audit to confirm changes made; and/or
    - vi. Staff Initiated Complaint.
  - d. Not in Compliance: An AMC that is found to not be in compliance will be subject to:
    - i. Warning letter;
    - ii. Adopt Change in Written Policies and Procedures; and/or
    - iii. Highlight deficient areas of prior audit on subsequent audits;
    - iv. Cease and Desist Letter;
    - v. A subsequent audit to confirm changes made; and/or
    - vi. Staff Initiated Complaint; and/or
    - vii. Temporary Suspension Hearing

- e. **DISCUSSION – Any desired changes to the consequences for the designated Standards of Performance?**

**VI. Retention Schedule:** Retention of audit reports and documents will be in accordance with the Board’s adopted retention schedule.

- a. **DISCUSSION – Any desired changes to this retention standard?**

**VII. First Tier Audit Procedure:**

- a. **Scope of First Tier Audit:** The scope of the first tier audit will be specifically selected standard licensing requirements. The selected licensing requirements may change from time to time, but will be those licensing requirements the Board believes are most important to ensure general compliance with. Please see the attached Audit Checklist for the currently selected First Tier Licensing Requirements.
- b. **AMC’s to be Audited:** A random percentage of all registered AMCs will be audited each fiscal quarter to ensure that all AMCs are subject to audit every two years.

**i. DISCUSSION – Is this the percentage and rationale that we discussed at the last Committee meeting? Want to alter?**

- c. **Audit:** This audit will be a random selection of a fractional percentage of all registered AMCs in the State of Texas. The Board will randomly audit twelve and one half percent of all of all AMCs each fiscal quarter. This percentage will ensure that all licensed AMCs at any given time are subject to being audited every two years.

- i. **Frequency of Audit:** An AMC that is subject to a First Tier Audit and passes the audit with an In Compliance standard of performance, will not be subject to audit for two years, unless a Second Tier Audit is initiated by Staff because of the AMCs disciplinary history or other probably cause.

- 1. **DISCUSSION – Is this frequency acceptable?**
- 2. **DISCUSSION - Do we want to include other audit result categories in this section?**

- ii. **Selection Process:** AMCs will be randomly generated by computer process to ensure integrity in the selection process.

- 1. **DISCUSSION – Steve/IT can give input as to the functionality of how this will occur.**

- d. **Board Education and Licensing Services Division Report:** Prior to commencing the First Tier Audit, Staff will reviewing all licensing and enforcement files for the selected AMCs. Staff will ensure the AMC has, through the application process, met all registration and initial licensing requirements, some of which may be subject to verification pursuant to the audit. Staff will ensure the AMC has or is in compliance with any disciplinary compliance orders or requirements.

- i. **DISCUSSION – Any input on this?**

- e. **Audit Notice:**

- i. Ten-day notice will be provided to AMCs of a pending audit.
- ii. Notice will be provided through e-mail and certified mail, for the addresses on record with the Board.
- iii. **DISCUSSION – Do we want to provide longer or shorter notice?**

- iv. **DISCUSSION – Do we want to have a surprise audit in the First Tier Audit? If so, what should be the basis for it?**
- f. AMC Response:
  - i. Response:
    - 1. When provided with a ten-day notice of a pending audit, the AMC shall respond with the acknowledgement notice, in which the AMC will consent to the audit, and provide the requested documentation in five days. Response shall be through the means identified in the audit notice.
    - 2. When provided with a surprise notice of audit, the AMC shall sign the acknowledgement notice and consent to the audit.
  - ii. Documents Subject to Audit: AMCs will have to provide, or have available for inspection, the following documents.
    - 1. Tex. Occ. Code § 1104.103/22 Tex. Admin. Code Rule 159.103 - Application For Registration or Renewal
      - a. **DISCUSSION - What documents will we need to review to ensure compliance?**
    - 2. Tex. Occ. Code § 1104.104/22 Tex. Admin. Code Rule 159.104 - Designation of Primary Contact
      - a. **DISCUSSION - What documents will we need to review to ensure compliance?**
    - 3. 22 Tex. Admin. Code Rule 159.151 - Employment of Certain Persons Prohibited
      - a. **DISCUSSION - What documents will we need to review to ensure compliance?**
    - 4. Tex. Occ. Code § 1104.155/22 Tex. Admin. Code Rule 159.155 - Professional Standards; Periodic Review of Appraisers
      - a. **DISCUSSION - What documents will we need to review to ensure compliance?**
    - 5. Tex. Occ. Code § 1104.159/22 Tex. Admin. Code Rule 159.159 - Disclosure of Registration Number
      - a. **DISCUSSION - What documents will we need to review to ensure compliance?**
    - 6. Tex. Occ. Code § 1104.161/22 Tex. Admin. Code Rule 159.161 - Appraiser Panel
      - a. **DISCUSSION - What documents will we need to review to ensure compliance?**
    - 7. Tex. Occ. Code § 1104.203 - Appraiser Independence
      - a. **DISCUSSION - What documents will we need to review to ensure compliance?**
      - b. **DISCUSSION - What percentage of the AMCs appraisals would we review, or what number would we randomly select off their work log? 5% or 10?**
  - iii. Failure to Respond: Failure to timely respond to an audit notice will result in a Staff-initiated complaint against the AMC for failure to respond.

1. **DISCUSSION - Do we want this to be the consequence for failure to respond? Keep in mind that with 20+ audits per quarter, it will become burdensome to do secondary notices and/or otherwise do additional work to get responses.**
- g. Audit Report: An audit report will be conducted for each audit. The audit report will state the license requirements which were audited, the findings of the audit and the performance of the AMC. An overall assessment will be provided along with the audit standard and resolution.
- h. AMC Rebuttal –
  - i. **DISCUSSION – Do we want to allow the AMC to respond to the audit report? If so, how, to what extent, what purpose, any recourse or resolution?**

#### VIII. Second Tier Audit Procedure:

- a. Scope of Second Tier Audit: The scope of the Second Tier Audit will be all licensing requirements.
- b. AMC's to be Audited: This audit will be for AMCs who receive an audit standard of Not in General Compliance, Subject to Re-Audit or Not in Compliance on a First Tier Audit or are selected for Second Tier Audit as a result of disciplinary history.
  - i. **DISCUSSION – Any other reason to initiate a Second Tier Audit?**
- c. First Tier Audit Failure: If an AMC receives an audit standard of Not in General Compliance, Subject to Re-Audit or Not in Compliance on a First Tier Audit, the AMC will be given a period of time to correct the audit deficiencies prior to a Second Tier Audit.
  - i. An AMC will be given thirty days to correct deficiencies noted in a First Tier Audit which results in re-audit.
  - ii. **DISCUSSION – Is this long enough? It would be best to re-audit them in the following quarterly audit period yet give them a reasonable time to correct noted deficiencies.**
- d. Disciplinary History for Second Tier Audit: AMCs that have certain disciplinary histories or violate certain licensing requirements will be subject to a Second Tier Audit.
  - i. Pursuant to 22 Tex. Admin. Code Rule 159.24 [**Or whatever the disciplinary matrix is numbered**], AMCs that achieve the following disciplinary matrix levels will be subject to a Second Tier Audit:
    1. 1st Time Discipline with Level 3: These AMCs will be selected for a Second Tier Audit as a result of having one prior discipline instance with serious deficiencies that were done with knowledge, deliberately, willfully, or with gross negligence serious deficiencies.
    2. 2nd Time Discipline with Level 2: These AMCs will be selected for a Second Tier Audit as a result of having two prior discipline instances with serious deficiencies.
    3. 2nd Time Discipline with Level 3: These AMCs will be selected for a Second Tier Audit as a result of having two prior discipline instances with serious deficiencies that were done with knowledge,

- deliberately, willfully, or with gross negligence serious deficiencies.
4. Any subsequent discipline level under 22 Tex. Admin. Code Rule 159.24.
  5. **DISCUSSION – Does initiation of a Second Tier Audit based on recidivism level make sense?**
  6. **DISCUSSION – If so, is there discussion on the level of discussion level that would trigger the selection for a Second Tier Audit?**
- ii. Automatic Offenses: AMCs with disciplinary history that include these licensing requirements will be subject to automatic selection for Second Tier Audit.
1. Offenses Automatically Triggering Audit:
    - a. Tex. Occ. Code § 1104.103/22 Tex. Admin. Code Rule 159.103 - Application For Registration or Renewal
    - b. Tex. Occ. Code § 1104.104/22 Tex. Admin. Code Rule 159.104 - Designation of Primary Contact
    - c. 22 Tex. Admin. Code Rule 159.151 - Employment of Certain Persons Prohibited
    - d. Tex. Occ. Code § 1104.155/22 Tex. Admin. Code Rule 159.155 - Professional Standards; Periodic Review of Appraisers
    - e. Tex. Occ. Code § 1104.159/22 Tex. Admin. Code Rule 159.159 - Disclosure of Registration Number
    - f. Tex. Occ. Code § 1104.161/22 Tex. Admin. Code Rule 159.161 - Appraiser Panel
    - g. Tex. Occ. Code § 1104.203 - Appraiser Independence
  2. **DISCUSSION – These are the First Tier Licensing Requirements which would make sense to be disciplinary violations that would trigger a Second Tier Audit. Discussion?**
- e. Board Education and Licensing Services Division Report: Prior to commencing the First Tier Audit, Staff will reviewing all licensing and enforcement files for the selected AMCs. Staff will ensure the AMC has, through the application process, met all registration and initial licensing requirements, some of which may be subject to verification pursuant to the audit. Staff will ensure the AMC has or is in compliance with any disciplinary compliance orders or requirements.
- i. **DISCUSSION – Any input on this?**
- f. Audit Notice:
  - i. Ten-day notice will be provided to AMCs of a pending audit.
  - ii. Notice will be provided through e-mail and certified mail, for the addresses on record with the Board.
  - iii. **DISCUSSION – Do we want to provide longer or shorter notice?**
  - iv. **DISCUSSION – Do we want to have a surprise audit in the First Tier Audit? If so, what should be the basis for it?**
- g. AMC Response:
  - i. Response:

1. When provided with a ten-day notice of a pending audit, the AMC shall respond with the acknowledgement notice, in which the AMC will consent to the audit, and provide the requested documentation in five days. Response shall be through the means identified in the audit notice.
2. When provided with a surprise notice of audit, the AMC shall sign the acknowledgement notice and consent to the audit.
- ii. Documents Subject to Audit: AMCs will have to provide, or have available for inspection, the following documents.
  1. Tex. Occ. Code § 1104.103/22 Tex. Admin. Code Rule 159.103 - Application For Registration or Renewal
    - a. **DISCUSSION - What documents will we need to review to ensure compliance?**
  2. Tex. Occ. Code § 1104.104/22 Tex. Admin. Code Rule 159.104 - Designation of Primary Contact
    - a. **DISCUSSION - What documents will we need to review to ensure compliance?**
  3. 22 Tex. Admin. Code Rule 159.151 - Employment of Certain Persons Prohibited
    - a. **DISCUSSION - What documents will we need to review to ensure compliance?**
  4. Tex. Occ. Code § 1104.155/22 Tex. Admin. Code Rule 159.155 - Professional Standards; Periodic Review of Appraisers
    - a. **DISCUSSION - What documents will we need to review to ensure compliance?**
  5. Tex. Occ. Code § 1104.159/22 Tex. Admin. Code Rule 159.159 - Disclosure of Registration Number
    - a. **DISCUSSION - What documents will we need to review to ensure compliance?**
  6. Tex. Occ. Code § 1104.161/22 Tex. Admin. Code Rule 159.161 - Appraiser Panel
    - a. **DISCUSSION - What documents will we need to review to ensure compliance?**
  7. Tex. Occ. Code § 1104.203 - Appraiser Independence
    - a. **DISCUSSION - What documents will we need to review to ensure compliance?**
  8. **DISCUSSION – Are there other licensing requirements that we want to enumerate with specific document production responsibilities of audited AMCs?**
- iii. Failure to Respond: Failure to timely respond to an audit notice will result in a Staff-initiated complaint against the AMC for failure to respond.
  1. **DISCUSSION - Do we want this to be the consequence for failure to respond? Keep in mind that with 20+ audits per quarter, it will become burdensome to do secondary notices and/or otherwise do additional work to get responses.**

- h. Audit Report: An audit report will be conducted for each audit. The audit report will state the license requirements which were audited, the findings of the audit and the performance of the AMC. An overall assessment will be provided along with the audit standard and resolution.
  - i. AMC Rebuttal –
    - i. **DISCUSSION – Do we want to allow the AMC to respond to the audit report? If so, how, to what extent, what purpose, any recourse or resolution?**
- IX. Notes for Discussion:**
- a. **DISCUSSION – Should we allow audits to be conducted pursuant to a tip that provides reasonable suspicion? Such as a verifiable tip of misconduct?**
    - i. **If yes, then what level of Audit, First Tier or Second Tier? If First Tier, how do we reconcile if the reported misconduct is not one of the selected licensing requirements? We do state that the licensing requirements for a First Tier Audit can change, so that would likely allow us to ad hoc add certain licensing requirements.**
  - b. **DISCUSSION – Are there other points to discuss?**

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